



# NOTES FROM THE:

## *Deputy Assistant Secretary, Cost & Economics*

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The change in administration has brought about a time of reflection across the Department of Defense (DoD) and the Air Force. This reflection focuses on the role of each organization and the process each role requires. As SAF/FMC has been taking advantage of this time, I felt it appropriate to relay a brief overview of a couple of the processes we have analyzed.

**Air Force Cost Analysis Improvement Group (AFCAIG).** The purpose of the AFCAIG process is to provide information to senior Air Force, DoD, and Congressional leadership on the cost of acquiring and operating any activity or program within the USAF. The AFCAIG is the Air Force's corporate review group that validates and approves cost estimates. It's composed of functional representatives from across the Secretariat and the Air Staff. SAF/FMC is the Chairperson and the attendees are typically SAF/FMB/AQX, AF/ILEC/XPP/XPPP/ILS/ILM /TE/XPMR/XOR/SCX/DPR, and the Program Executive Officer (PEO). A defensible Service Cost Position (SCP) is developed for the Program Manager, PEO, SAF/AQ, and OSD that represents the acquisition and technical approach and meets validated user requirements.

The process starts with the formation of a Cost Integrated Processes Team (CIPT) with an agent of the AFCAIG (normally AFCAA division chief) as the lead. The System Program Office (SPO) will develop a total life cycle Program Office Estimate (POE) and present it to the CIPT. At the same time, AFCAA develops an independent Component Cost Analysis (CCA), tailored for program risk and focusing on high risk /dollar items, and present it to the CIPT. The CIPT reviews both the POE and the CCA, develops consensus on the best estimating methods for the recommended SCP. The CIPT presents their recommendations for the SCP to the AFCAIG for approval. Upon AFCAIG approval, the CIPT documents and presents the SCP to the OSD CAIG.

**Air Force Capabilities Investment Strategy (AFCIS).** The purpose of this process, formerly known as the Air Force Program Projection, is to provide OSD/PA&E an annual analysis of the Air Force's future modernization plans. OSD then rolls all the Service's plans into a single product titled the Defense Program Projection (DPP). The focus of the

AFCIS is the twelve-year period following the future years defense program (FYDP). It illuminates the long-term consequences of current policy and acquisition strategy and is baselined using the current President's Budget and FYDP. Many users inside and outside the planning and programming environment use the corporately approved AFCIS. Two examples of it use are as the baseline for the Quadrennial Defense Review and Affordability Analysis of future major weapon systems.

The role of SAF/FMC is to assess the program health to SAF/FM who validates the AFCIS at the AF Council during the corporate approval process. AFCAA, as the representative for SAF/FMC, is an essential player in the Long-Range Planning IPT. In this role, AFCAA identifies program funding disconnects and offers potential options, identifies illogical force to dollar relationships, provides Sensitivity Analysis, which shows the effects of upward and downward pressures on the Air Force budget and total Air Force topline, and oversees the development of several "quick cost" long-range modeling efforts. In addition, they provide cost guidance to the MAJCOM XP and FM offices, provide training to MAJCOMs to improve quality of inputs, and design templates and factors for "what-if" excursions.

**Tenth Annual Economic Analysis Conference.** On a final note, SAF/FMC held the 10th Annual Economic Analysis Conference in St Louis, Missouri, on 22-24 May 2001. AFCA hosted the event, and all that attended considered the conference a tremendous success, perhaps the best yet. More than 100 people from installations, MAJCOMs, and HQ attended the conference to participate in discussions on economic and cost issues. Over 20 speakers provided excellent presentations on subjects that included the Importance of Economic Analysis, the Future of Cost, Privatization, Activity-Based Costing/Management Training, A-76, Economic Analysis for Personal Investing, Independent Reviews, What Commander's Want/Need From the FM Community, Cost Doctrine, and Costing and Pricing Space Range Support. We feel that this annual conference is essential and provides current and valuable information to all attendees that can be used to perform our jobs more efficiently and effectively.